

Permanent War: The Domestic Economic Costs of Empire

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SCRIPT TO ACCOMPANY SLIDES

In the wake of September 11, 2001, in the name of “national security,” the Bush administration announced a doctrine of permanent war against any nation, anywhere, friendly or unfriendly that might possibly challenge U.S. global dominance. Secretary of Defense Rumsfeld’s plan calls for “full spectrum dominance.” War planners must be prepare to fully defend the United States, maintain forces capable of "deterring aggression and coercion" in five "critical regions" --Europe, Northeast Asia, East Asia, the Middle East and Southwest Asia--maintain the ability to defeat aggression in two of these regions simultaneously, and be able to "win decisively" — up to and including forcing regime change and occupying a country — in one of those conflicts "at a time and place of our choosing." To fund such a scenario, the administration has called for spending an estimated \$5 trillion over the next ten years on the military.

Although such a policy is supposed to make us safer, it is having the opposite effect. It is fueling international terrorism, undermining our economy and distorting our national priorities. Let's look at the extent to which, as a nation, we have committed ourselves to militarism and permanent war and the effect that this is having on our domestic economy.

[Figure 1] Since the terrorist attacks in 2001, the military budget has increased in real terms by over 30 percent and is still growing.

[Figure 2] The extent to which the preparation for and conduct of war has become the dominating theme of the American state is staggering. At about \$443 billion the FY 2005 estimated budget outlay for Defense exceeds the combined expenditures of the next 23 largest military spenders in the world. It is over 80 times that of Iran and North Korea, its two remaining nemeses in the so-called "Axis of Evil" and it is almost as big as the entire world's. This figure *does not* include the rapidly mounting costs of pacifying and reconstructing Iraq and Afghanistan.

[Figure 3] The military budget of the U.S. *for just one year* (2005) is almost as great as the development assistance needed to fulfill the United Nations Millenium Development Goals *over 10 years*. By eradicating extreme poverty the achievement of these goals would do much to remove the oppressive conditions that many experts believe fuel international terrorism.

[Figure 4] The decision to link the terrorist attacks of 9/11 to the war in Iraq was a bonanza for a multi billion dollar arms industry that was beginning to fear the loss of its gravy train with the end of the Cold War. According to Gordon Adams, former defense official in the Clinton administration, the terrorist attacks of Sept. 11 "completely changed the planning horizon for defense. The floodgates opened. Everything was a priority." With the decision to invade Iraq the stock portfolios of military contractors soared beyond those of other industries. This chart shows the growth in the Amex Defense Index (a measure of the top 15 military contractors that account for 80 percent of all Pentagon procurement). One journalist has compared the war budget to a bloodless military coup.

- [Figure 5] The budgetary result is a gross distortion of national priorities. The FY 2005 Defense authorization is 36 times that of the Department of Labor, 15 times that of Homeland Security, almost 14 times that of the budget for Housing and Urban Development, seven times greater than the budget for Education; and over six times greater than the budget of the Department of Health and Human Services. In the foreign policy arena, the Defense budget outflanks the State Department's budget by a ratio of 41 to 1.
- [Figure 6] In 2004, ongoing military operations in Iraq and Afghanistan amounted to about \$7.8 billion *a month* compared with \$7.9 billion for a range of peace and humanitarian programs *for the entire year*.
- [Figure 7] In development assistance, the United States is the least generous of any developed nation in the world when you consider development aid as a percentage of its gross domestic income.
- [Figure 8] The President's proposed 2006 budget makes the disparity between spending for war and spending for the things that make for peace even starker. The request is for a 4.8 percent increase in the Pentagon budget, bringing the total increase since 2001 to 41 percent, while eliminating or drastically cutting over 150 non-defense discretionary programs—from education to Medicaid and more. The President's budget report even seems to brag about the cuts that he is making in non-defense spending.
- [Figure 9] Stiglitz quote: "No rational country goes to war to help its economy, but neither should any country wage war without weighing carefully the costs and benefits of going or not going to war, an analysis that brings in a consideration of all the relevant scenarios."

Thus far, we have been looking only at figures for the "Defense Department Budget." But the Defense budget does not fully encompass our nation's commitment to permanent war.

Economist, Jurgen Brauer, estimates that the real costs of our commitment to war are at least 25-33 percent higher than the official line item for “Defense” in the annual discretionary budget. According to security analyst William Hartung, the costs of war “could become the biggest ‘wild card’ in the federal budget over the next decade.”

[Figure 10] To get an idea of the real costs of our commitment to permanent war and empire, we might think of the costs as a series of boxes which, added together, make up our total commitment to permanent war.

[Figure 11] At the top is what might be called the “war on terror” This includes the current wars we are fighting in Iraq and Afghanistan, which have been funded from “emergency supplemental” requests made by the President. Loren Thompson, a defense analyst at the Lexington Institute has argued that much of what is labeled “emergency” in these supplemental requests will probably turn out to be regular procurement items. “Why this is an emergency supplemental is hard to explain. It looks as if they want a bigger defense budget without admitting it,” he said.

In addition to the costs of fighting these wars are the costs of training Iraqis in self-defense, funding the reconstruction of destroyed infrastructure, paying for disarmament, funding the administration of the occupational authority, compensation for the war’s victims, and incarcerating and deporting tens of thousands of prisoners, some to torture cells in other countries, in a program euphemistically known as “rendition.”

[Figure 12] The costs of the American empire’s so-called “war on terrorism” would also have to factor in the corruption and waste involved in military contracting. Private contractors are doing an estimated \$50 billion worth of business in Iraq and Afghanistan. According to the Center for Public Integrity, only 40 percent of such contracts have been conducted under "full and open competition." Because of its command economy and secrecy, the Pentagon has been a notoriously wasteful spender. Since 1995, the General Accounting Office has ranked the

Pentagon's financial management as one of the worst in government. In FY 2000, for example, the Pentagon's own Inspector General noted that \$1.1 trillion couldn't be accounted for.

Such scandals seem to be multiplying, like the no-bid, open-ended contracts given to private contractors like Halliburton, which has engaged in overcharges, kickbacks, and over billing practices. Halliburton's subsidiary, Kellogg, Brown & Root was paid out of Iraqi oil funds and was accountable to a U.N. auditing agency for its work. This slide shows the report of the audit that was done for KBR that they submitted to the international agency that was supposed to hold them accountable. The blacked out lines include a searing indictment of KRB's practices. Yet the Army has refused to withhold funds from KRB claiming that it would jeopardize security. Since these firms operate in the shadows while carrying out U.S. foreign policy for profit, and since military "necessity" often trumps fiduciary responsibility, it is difficult, if not impossible, to hold them either politically or financially accountable.

The scandal of such outsourcing may be glimpsed by the fact that while the average army combat private makes about \$19,600 a year or about \$52 a day, workers for private security firms (most of whom are former military men with close Pentagon ties) make anywhere from \$500-\$1,000 a day

[Figure 13] Also in this box we must count the increased intelligence costs allocated to the CIA, FBI, military and other intelligence units as well as covert operations. We will never know how much the CIA is spending in the future as that budget category has been declared top secret. Moreover, the "war on terror" has given rise to a proliferation of black box operations—like those of the "Strategic Support Branch," a secret espionage unit controlled by the Secretary of Defense in conjunction with Pentagon Special Operations counter-terrorism units. These clandestine units are now allowed to operate in any country (friendly and unfriendly). They may even operate without the knowledge of our government's ambassador to that country,

and do not need the permission, or even the knowledge, of the host government's leadership.

In the past, covert operations have often led to greater political and military costs that have been referred to as the "blowback effect." In fact, the rise of the Taliban and Al Qaeda can be traced to the blowback effect of previous covert operations

[Figure 14] The "War on Terror" also includes "Homeland Security"—all those costs associated with protecting our ports, borders, airlines, power and chemical plants, as well as the public health. Despite increases in funding for Homeland Security since 9/11, this aspect of our war-related economy has continued to be shortchanged. Vital fire and police personnel been pulled from domestic duty to serve extended tours of duty in Iraq. Budget constraints due in part to our commitment to militarism have added to the crisis.

Protection for the nation's airlines, ports, chemical and nuclear plants is still grossly inadequate; in fact, Republicans worked with chemical industry lobbyists to kill federal legislation designed to protect our chemical plants from terrorist attacks. Our transportation beltways, as well as our dams, bridges and power grids remain "so vulnerable that it practically invites terrorism," according to the head of a Council on Foreign Relations task force on homeland security; and our public health systems are still badly in need of support.

Much of the money that has been allocated for Homeland Security has been misdirected or misspent. For example, Homeland Security grants go disproportionately to low threat states like Wyoming, which gets \$28.22 per person, while New York gets only \$4.07. An internal audit of the Homeland Security Department revealed that money to improve port security was far less than what was needed and was being spent on low priority problems rather than the most serious ones. And in early March 2005, 758 scientists publicly complained that since 2001 a massive and dangerous biodefense project that has been characterized as "a spending

spree so vast and rapid that it might change the face of biological science” had shifted tens of millions of dollars away from pathogens that cause major public health problems toward obscure germs that the government fears might be used in a terrorist attack.

[Figure 15] The second box contains the costs associated with what might be called the ongoing or regular military budget: the recruitment, training and maintenance of current troops and their families, equipment, and bases, as well as death benefits to families of soldiers killed.

Also included in the “regular” military budget is research, development and deployment of new weapons systems (the pork barrel projects and white elephants whose major purpose is to expand the power of the Pentagon and line the pockets of military contractors). Much of this funding, according to the Pentagon’s former chief budget analyst is useless in fighting terrorism and some of it may even be causing our troops greater harm.

Not all of the costs in this box, however, are included in the official Defense (or Pentagon-controlled) budget. For example, the production of nuclear fuel and environmental cleanup of nuclear weapons facilities—much of this the legacy of the Cold War--are part of the Department of Energy’s budget. Nor is their cost (currently estimated at \$230 billion over the next 70 years) fully appreciated.

The costs of training foreign troops outside Iraq and Afghanistan are also included in this box. This includes such items listed in the federal budget as “foreign military financing grants and loans,” “nonproliferation, antiterrorism, de-mining and related programs,” and “other security assistance.” It also includes “assessed contributions to international peacekeeping.”

[Figure 16] Also included are the costs of past wars in the form of veteran’s benefits, payments to the military retirement fund and veteran’s Social Security, payments to the radiation exposure compensation trust fund and the health trust fund for post-1956

military service. Despite the low number of casualties immediately affected by the first Gulf war, 221 times as many servicemen and women have succumbed to service-related death or illness *since the war ended* and new casualties are still being discovered.

Mortality rates from our current war in Iraq are almost five times those of Desert Storm, while the number of wounded is almost four times as great. Thanks to swift transportation out of the war zone and advanced medical techniques, more of the wounded are living, but have been left with horrific injuries that will place tremendous burdens on their families and our society for their entire lives.

Then there is the cleanup costs of nuclear weapons facilities which have been estimated to cost about \$230 billion.

[Figure 17] The third box contains other empire and war-related costs attributed to or hidden in other federal departments. A commitment to permanent war inevitably means increased arms sales both because the military has now become, in effect, our industrial policy, and because arms sales are needed to bribe reluctant countries into joining our “coalition of the willing.” The U.S. is now responsible for over 40 percent of world arms sales. According to arms researcher William Hartung, “promoting arms exports results in a long-term net cost to the U.S. economy.”

Embassy security, construction and maintenance also belongs here. Although this function is listed in the President’s budget as under “international affairs” and is properly a State Department function, our contemporary commitment to empire and the attacks of 9/11 have meant that our embassies around the world have become fortified bunkers resembling more the moated castles of medieval Europe than the gracious civic buildings popularly associated with international diplomacy.

Also in this box are “defense-related activities of the F.B.I. and other discretionary programs,” as well as the “Andean counter-drug initiative,” which critics have called a war against the

poor” in Latin America. This program is listed in the President’s budget under the heading of “international development and humanitarian assistance.”

In addition must be counted the military and economic aid we offer other countries as incentives to become “willing coalition partners.”

And not least, there is war-related interest on the national debt. Estimates of how much of the national debt to attribute to war vary from 22% to 80%. The average household share of the national debt now stands at \$473,456. Taking the most conservative estimate of the war-related portion of that debt means that every household’s share of the nation’s war-related debt is \$104,160. But the size of the debt, itself, is misleading, because the government uses surpluses in various trust funds, like that of Social Security to disguise its real cost.

[Figure 18] The fourth box contains the many “externalities” (costs not included in the federal budget) associated with a war for empire whose prosecution is fueling the growth of enemies around the world. Most experts on terrorism are convinced that the war in Iraq has only fueled the desire of terrorists to strike another blow to the American heartland. And the next may be far costlier than September 11. Yet no one is considering the potential costs of these externalities that will have to be borne to a large extent by the civilian side of our discretionary and entitlements budgets, as well as by individual earners.

We can get some small idea of the potential costs by considering the costs resulting from the destruction of human and fixed capital in commercial zones like the World Trade Center as well as the lost opportunity costs from destroyed and damaged businesses. A recent study put compensation to victims of the 9/11 disaster at \$38 billion. But the study did not include about \$11 billion in federal assistance to New York for cleanup, overtime costs and transportation repairs. Nor did it include payments yet to come, chiefly from pending court cases and litigation costs, as well as continuing insurance disputes.

The full health costs of the terrorist attacks may not show up until years down the road. Large numbers of people, for example, have been suffering chronic health effects—various respiratory illnesses as well as mental and emotional illness from the events of 9/11 (it was estimated that 10,000 people in New York City suffered Post-Traumatic Stress Disorder). Though there was some compensation for mental effects, the costs of treating mental illness are largely borne by individuals.

[Figure 19] All wars have long-term environmental consequences that are never taken into account by those who plan the wars. Think, for example, of the greenhouse effects of flying thousands of sorties and transporting thousands of soldiers for the foreseeable future to bases and hot spots in every part of the globe. Add to that the costs of environmental degradation that flow from the thousands of tons of explosives that are detonated every day, leaving polluted rivers and aquifers, toxic air, destroyed infrastructures and maimed bodies. The Pentagon's own study of the possible catastrophic effects of climate change suggests that global warming is at least as large a security threat and probably far more catastrophic than terrorist attacks. The document predicts that abrupt climate change could bring the planet to the edge of anarchy as countries develop a nuclear threat to defend and secure dwindling food, water and energy supplies.

[Figure 20] Tertiary effects on the U.S. economy are also part of the externalities of war. Our bloated military budget, combined with huge tax cuts for the richest 1 percent of the population, have reduced the government's ability to "promote the public welfare," one of the purposes for which our government was founded. Vitally needed public goods and services that have been the source of jobs and economic stimulus over the years are being crowded out.

[Figure 21] Supplemental requests for Iraq and Afghanistan wars *alone* have amounted to more in 2005 than the estimated federal outlays for Education, Training and Employment and Natural Resources and the Environment *combined*.

- [Figure 22] The Administration's FY 2006 budget calls for \$214 billion in reductions over five years in annually appropriated domestic programs outside homeland security, compared to current funding levels adjusted only for inflation. Analysts at the Center on Budget and Policy Priorities point out that Bush's cuts would deepen over time so that by 2010 they would be three times as steep as in 2006.
- [Figure 23] The proposed cuts will affect nearly every part of government, with the exception of defense and homeland security: environmental programs, education and job training, veterans' programs, health, transportation, and even modernization of the air traffic control system, to name a few.
- [Figure 24] When translated into human costs, these percentages mean that by 2010: 3 million fewer people, who are currently eligible, would receive food stamps; 670,000 fewer low-income pregnant women, babies and young children would receive nutritional assistance; 370,000 fewer families would receive rental vouchers, resulting in increased homelessness; 118,000 fewer poor, abused and neglected children would receive Head Start and other social services; 300,000 fewer children would receive child care assistance; 360,000 fewer people would receive home energy assistance; schools would be forced to cut libraries, music and art programs, increase class sizes and hire fewer teachers to make up for shortfalls.
- [Figure 25] Increased investment in the military and decreased investment in civilian spending affects job growth. While military spending provides some economic stimulus, the same amount of money spent on civilian needs like education or health care or the environment produces up to three times the number of jobs. The Apollo Project, a coalition of labor and environmental groups has shown that investing \$300 billion over a ten year period in clean energy technologies (that's less than 7 percent of our annual military budget) could produce 3.3 million jobs, reduce our dependence on oil—a major source of our security problems around the world—rebuild our industrial

base, stimulate \$1.4 trillion in new GDP, *and more than pay for itself in increased revenues to the federal treasury.*

Despite the claim that military R & D generates innovations like the Internet that have spin-off effects for the civilian economy, this was probably more true in the post World War II era than it is today because of the extreme complexity of contemporary military technology. Economist David Gold has said that military spending may actually *reduce* the ability of the domestic economy to generate new products that can compete in the global marketplace. A recent New York Times headline aptly described the hollowing out of our domestic economy: “U.S. Tech Exports Slide, But Trash Sales Are Up.”

[Figure 26] Externalities also include the lost opportunity costs and lost revenues from national guard and reserve troops who have been pulled from civilian jobs for extended tours of duty, as well as the dead and wounded who have been withdrawn from the labor force. While there is no hard data on how many of those called to active duty suffer a reduction in pay, surveys of Guard and reserve personnel found that among those whose pay was cut, the average reduction was \$3,000, although some took pay cuts in the tens of thousands of dollars.

[Figure 27] Signs of American economic decline are everywhere:

An outsized deficit and debt—over \$7.6 trillion as of January 2005, or 62 percent of GDP—a sum almost unprecedented since the end of World War II—mostly owed to foreign nations like Japan and China—that will burden future generations and could result in economic collapse if our creditors decide we are no longer a worthy credit risk. A survey of the nation’s leading business economists released today showed that more of them now think the deficit and debt are greater dangers to our nation than terrorism.

The “hollowing out” of our domestic industrial capacity resulting in the largest trade deficit in history, and the loss of our ability to compete in the world economy.

The slowest job growth of any “recovery” since the end of World War II.

A fiscal crisis of states and cities that has led them to reduce funds for education, health care, infrastructure repair, social services, environmental protection and other critical needs.

[Figure 28] Accelerating inequality. Among the biggest winners are the CEOs of a handful of defense firms like Lockheed Martin (whose CEO in 2003 made over 1,000 times that of the average private risking his or her life in Iraq--about \$19,600 (including subsistence and extra combat pay)).

[Figure 29] Accelerating inequality has consequences for our democracy. The “Military Industrial Complex” is today the most powerful example of what political scientists refer to as Iron Triangles in the U.S. political system. The term is used to describe the cozy relationship that has grown up between military contractors like Lockheed Martin, congressional committees that oversee defense spending, and the Pentagon which gives out the money.

[Figure 30] One example of this is seen in the 2004 election in which defense contractors were among the largest contributors to the Republican party and to George W. Bush.

[Figure 31] The price of our commitment to permanent war is not spread evenly across our population. There are clear winners and losers. The poor and working classes and disproportionately people of color always sustain the heaviest sacrifices and bear the heaviest financial burdens of war.

[Figure 32] The price is measured in the sorrow of over 1500 American families—most of them of modest means--who have lost husbands, fathers, sons and daughters, brothers and sisters in this war.

[Figure 33] It is measured in the tens of thousands of young men and women severely wounded both in body and mind, like Jose Martinez, Robert Jackson, and Justin Burgess. Investigative journalist Seymour Hersh hinted at the terrible toll this war is

taking on a generation of young people: “there’s wards that you will never hear about. That’s wards -- you know about the terrible catastrophic injuries, but you don’t know about the vegetables. There’s ward after ward of vegetables because the brain injuries are so enormous.”

You will rarely see pictures like this, however. On the eve of the Iraq invasion in 2003, the Bush administration enforced a ban on photographs of the caskets arriving at Dover, or at any other military bases. It seems to be pursuing the same strategy with the wounded, who are far more numerous. Since 9/11, the Pentagon's Transportation Command has medevaced 24,772 patients from battlefields, mostly from Iraq. But two years after the invasion of Iraq, images of wounded troops arriving in the United States are almost as hard to find as pictures of caskets from Dover. That's because all the transport is done under cover of night, and in most cases, photos are banned. Investigative journalist Seymour Hersh has said that the public has no idea of the costs of this war. There are wards upon wards hidden away, he says, that we will never know about.

[Figure 34] The cost of war is measured not only by military casualties. It is also measured in the 28 million hard-working full-time workers between the ages of 18 and 65 (one quarter of the workforce) who earn no more working full-time than the already paltry poverty line for a family of four (about \$19,000 a year) and the 45 million without health insurance, like Cleotilde Alvarez who earns \$7 an hour as a home health aide with no health insurance, no paid vacation, no raise in five years, and no higher pay for overtime.

[Figure 35] It is measured in the millions of families like the Riveras, dependent on homeless shelters, soup kitchens and food pantries to meet their basic needs. The National Conference of Mayors reported that requests for emergency shelters and food increased in cities across the U.S. in 2004. The majority of those in need were families, and more than a third of the adults seeking help were employed. In many places, families had to be turned away for lack of sufficient resources.

[Figure 36] It is measured in the 17.1 million (11.2% of the labor force) who are unemployed and underemployed and by the millions of middle class families who are one or two paychecks or medical bills away from bankruptcy.

[Figure 37] Finally, the price we pay for war are the tens of thousands of people—the “collateral damage”—who suffer in today’s wars. 75% or more of those killed and injured are non-combatants. 34% of them are children. And we wonder “why do they hate us?”

[Figure 38] Words to Think About: Martin Luther King, Jr. and John Kennedy quotes.